

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSISSIPPI

2011-AD-2

IN RE: ORDER ESTABLISHING DOCKET TO
INVESTIGATE THE DEVELOPMENT AND
IMPLEMENTATION OF NET METERING
PROGRAMS AND STANDARDS

MISSISSIPPI PUBLIC SERVICE
COMMISSION

COMMENTS OF ENTERGY MISSISSIPPI, INC.

COMES NOW Entergy Mississippi, Inc., (“Entergy Mississippi” or the “Company”) and, pursuant to the Commission’s January 6, 2011, Order in this Docket (the “January 6 Order”) files these comments and respectfully would show the following:

1. Net metering is a state-level¹ policy issue, which the Commission has previously addressed on several occasions. Net-metering is a policy issue because there are a wide range of methods to implement net-metering. In doing so, this Commission must balance many competing interests, including those of the electric utility and its customers, as well as differing utility customer classes. Some, but not all, of the issues that must be addressed when considering net metering policy include:

a) Should net metering be used to encourage energy efficiency or is it being used to jump-start commercial enterprises that hope to sell higher priced electricity than the utility can provide to customers?

b) Will other (non-net metering) customers have to pay costs caused by or not paid by net metering customers?

c) Will only a few customers benefit from net metering at the expense of other customers?

¹ The Commission correctly rejected proposed federal net metering standards in Docket 2007-AD-201.

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d) Will the electric utility be required to provide a storage service (with the electric grid) to net metering customers without appropriate compensation for that service?

e) How will the Commission ensure that net metering does not cause harm to the reliability of the electric system, to utility employees who must work with that system or to the public?

2. In its January 6 Order, the Commission directed parties to provide comments regarding specific issues which should be addressed in a Commission rule on net metering and interconnection standards. The Company's comments are divided into four parts:

- Explanation of Service Rule 29
- Potential Danger to Employees, the Public and the Electric System
- Potential for Cross-Subsidization
- Interconnection Standards

Explanation of Service Rule² 29

3. There is a misconception that utility customers in Mississippi are prohibited from participating in net metering service. This misconception may be caused by varying definitions of net metering that are used through the utility industry. Entergy Mississippi defines net metering as follows:

"Net metering service" means service to an electric utility customer under which electric energy generated by that electric utility customer from a small power production facility or cogeneration facility and delivered to the electric utility's distribution facilities may be used to offset electric energy provided by the electric utility to the electric utility customer during the applicable billing period.

Service Rule 29 authorizes net metering because it allows utility customers to *offset* electric energy provided by the electric utility with self-generated power. However, Rule 29 is not designed to put customers in the "business" of making electric sales. In consideration of the

² See Rules and Regulations Governing Public Utility Service issued by the Commission.

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January 6 Order, the Company believes it is important to explain that customers can obtain net metering service under the Commission's rules, and under Rule 29 customers who self-generate their own power in order to offset energy taken from the utility are compensated for their self-generated energy at the same rate they pay to the utility. Any excess energy generated by a customer, above and beyond their own needs, can be sold to the utility at the utility's avoided cost, which represents the value of that excess energy to the utility. Rule 29 satisfies the essential goal of net metering, which is to allow customers to off-set their own usage, but does not create a policy that encourages generation of excess power for the purpose of being sold to the grid. If the Commission thinks that broader changes to the Commission's net metering rules are necessary, then the Company respectfully submits that the Commission should do so in the context of changes to Rule 29. The Company further respectfully submits that before revising Rule 29, the Commission must conduct a comprehensive study of the economic impacts, including a thorough evaluation of the net metering policy to date, in order to comply with the Administrative Procedures Act.

Potential Danger to Utility Employees, the Public and the Electric System

4. When a customer takes net metering service, that customer is attaching a generator to the utility's distribution system. If the customer's self-generation facilities do not satisfy the proper technical standards for interconnection, those self-generation facilities can damage the electric system, which could interfere with the utility's statutory obligation to provide reasonably adequate service. More importantly, any net metering service must have sufficient safeguards in place to protect utility employees who work on the distribution system and to protect the general public. Thus, self-generation systems must meet basic electrical code

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standards and must be properly installed to protect the general public and to ensure utility workers' safety. Because self-generators connect to the electric system, steps must be taken to ensure that net metering customers' generators are not feeding electricity onto the electric grid when maintenance or storm restoration is being performed. For these reasons, the Commission should not enact any rule that would jeopardize the integrity of the electric system, the safety of the general public or the health of utility employees. The Company provides additional comments under the heading Interconnection Standards below.

Potential for Cross-Subsidization

5. Entergy Mississippi's customer rates are made up of multiple cost of service components. Energy (fuel & purchased power) is one part of the cost of service, but the utility also must maintain transmission and distribution facilities to serve its customers' load requirements. All costs of service are bundled into a single retail rate paid by customers according to the rate schedule under which such customer takes electric service. Pursuant to the regulatory compact, retail rates are calculated to produce revenues sufficient to recover the utilities costs of service (including the opportunity for a reasonable return on its property) over an estimated sales volume. The revenues associated with sales that are lost to net metering customers must be made-up by all customers of the utility, or else the regulatory compact is being violated.

6. Net metering customers expect (and are entitled) to receive the same level of service as customers who do not take net metering service. Therefore, net metering customers must pay their fair share of the costs to maintain the transmission and distribution system. If net metering customers are allowed to use the electric system as their own "giant battery" to store

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their own excess energy until they need it, without paying the true costs of such energy storage, then net metering can shift costs from net metered customers to the utility's other non-net-metered customers. How net metering is implemented directly impacts how much costs could be shifted. For example, allowing net metering customers to sell excess self-generated energy to the utility at a retail rate, which exceeds the value to the utility of that excess energy, could cause significant cost shifting. The Company believes Rule 29 provides a reasonable balance that encourages customers to participate in net metering while protecting non-participants from unreasonable cross-subsidization. Additionally, Rule 29 is designed to minimize subsidization of large commercial enterprises (via net metering) by residential customers.

Interconnection Standards

7. As discussed previously, net metering can present significant threats to the general public, to utility employees and to the stability of the electric grid. Additionally, the technical standards associated with net metering and interconnection change frequently as technologies advance and evolve. Rule 29 recognizes these facts by allowing utilities to "establish reasonable standards for interconnection with qualifying facilities to ensure system safety and for the protection of the electric utility's equipment and personnel." Given the utility's statutory obligation to provide reasonably adequate service, the utility must retain control over interconnection standards, subject to the Commission's approval.

8. The Company does not oppose a collaborative or "working group" approach for soliciting input from interested parties in this Docket. Based on information to date, the

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Company believes that Ken Kearnes, the facilitator used in Docket 2010-AD-2, was reasonable and effective.

9. The Company reserves the right to offer suggestions on a procedural schedule for Phase II pending its review of comments of the other parties in this Docket.

10. Entergy Mississippi expressly reserves all of its rights with respect to any order of the Commission or any court that may not be supported by the law or may result in confiscatory rates that constitute deprivation of property without due process of law and insofar as matters in this proceeding are within the exclusive jurisdiction of any other agency having jurisdiction over Entergy Mississippi.

WHEREFORE, PREMISES CONSIDERED, Entergy Mississippi prays that the Commission accept the Company's comments filed herein, and reserves the right, after its review of the comments filed by other participants in this Docket, to support and adopt as its own or to otherwise rebut comments that may be made by other participants. Entergy Mississippi further prays for such other, further, and general relief as the Commission deems necessary, useful, or appropriate.

This the 1st day of March 2011.

Respectfully submitted,
ENTERGY MISSISSIPPI, INC.

BY: 

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STATE OF MISSISSIPPI
COUNTY OF HINDS

Personally appeared before me, the undersigned authority in and for the jurisdiction aforesaid, JEREMY C. VANDERLOO, who after being by me first duly sworn stated that he is Senior Counsel for Entergy Services, Inc., and that as such is fully authorized to make this affidavit.


JEREMY C. VANDERLOO
SENIOR COUNSEL

SWORN TO AND SUBSCRIBED before me, this the 1st day of March 2011.


NOTARY PUBLIC

My Commission Expires:



RP 6.111 CERTIFICATE OF SERVICE

I, JEREMY C. VANDERLOO, one of the attorneys for Entergy Mississippi, Inc., hereby certify that on this day I have caused to be filed the Comments of Entergy Mississippi, Inc. with:

Brian U. Ray
Executive Secretary
Mississippi Public Service Commission
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and that on this day I have caused to be caused to be transmitted a copy of the foregoing Comments to:

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and that, in the filing of the Comments, I have complied with Rule 6 of the Commission's Public Utilities Rules of Practice and Procedure.

This the 1st day of March 2011.


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